

7/7/68

*Subject: Differences Between Civil Service and Central Intelligence  
Cost of Living Increases in Retirement Annuities*

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1. CIA personnel serve under two retirement systems. About 75% are covered by the Civil Service system. The remainder are covered by the CIA retirement system enacted in 1964 as P. L. 88-643. At that time both systems contained similar provisions for cost-of-living adjustment of annuities.

2. P. L. 87-793, approved in October 1962, established the first cost-of-living adjustment formula for the Civil Service retirement system. As a part of the cost-of-living adjustment concept that law also provided 1965 Civil Service retirees a 2% annuity adjustment (one per cent for 1966 retirees). No such adjustment was provided for personnel covered by the CIA system.

3. In September of 1965 the Civil Service provision was changed by P. L. 89-205 so that the minimum period for measuring percentage increases to trigger an adjustment was compressed from one calendar year to three consecutive months. Thus an actual increase could occur after any three months of 3% increase in the Consumer Price Index as against the old requirement of an average 3% increase for a full calendar year plus a 3-month waiting period. Furthermore, the December 1965 increase under the new Civil Service formula reflected the accumulated increases in the CPI since 1962.

4. The more responsive Civil Service formula has generated a total of three increases whereas the formula for the CIA system, passed in October 1964, has produced only one increase. This is clearly illustrated by applying actual increases in force and effect under each system to a typical

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retirement case. An employee who retired in July 1965 under the Civil Service system with a \$6,000 basic annuity receives \$7,009 per annum at present as a result of automatic annuity adjustments. In contrast, an employee retiring at the same time under the CIA system and with the same basic annuity is now paid \$6,276 per annum. The attached charts illustrate these adjustments.

5. H. R. \_\_\_\_\_ affords equitable treatment to CIA retirees by providing them the same increases already granted Civil Service retirees. It also assures that future cost-of-living adjustments under the CIA retirement system are in consonance with future increases granted under the present Civil Service retirement law.

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